AR26

Sun Publishing Company Limited
1976 Annual Report

COVER

Leslie Peterson, Book Editor of the Vancouver Sun, operating one of the new Video Display Terminals.

OFFICERS & DIRECTORS

OFFICERS

RONALD L. CLIFF, *Chairman of the Board*
RICHARD S. MALONE, *President*
J. STUART KEATE, *Vice-President*
WILLIAM W. WINNETT, *Secretary-Treasurer*
HARRY ASTLEY, *Assistant Secretary*

DIRECTORS

RONALD L. CLIFF
LAWRENCE DAMPIER
CLAYTON B. DELBRIDGE
BRUCE HUTCHISON
STUART KEATE
JOHN MacD. LECKY
RICHARD S. MALONE
DEREK A. PRICE
BRUCE L. RUDD
JOHN W. TOOGOOD
F. CAMERON WILKINSON

BANKERS

THE BANK OF NOVA SCOTIA

AUDITORS

CLARKSON, GORDON & CO.

SOLICITORS

FARRIS, VAUGHAN, WILLS & MURPHY

TRANSFER AGENTS AND EXECUTIVE OFFICES

SUN PUBLISHING COMPANY LIMITED
2250 GRANVILLE STREET
VANCOUVER, B.C. V6H 3G2

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SUN PUBLISHING COMPANY LIMITED

INTERIM REPORT FOR 6 MONTHS ENDED JUNE 30, 1976

SUN PUBLISHING COMPANY LIMITED

To our Shareholders:

The unaudited net income for the six month period ended June 30, 1976 amounted to $2,598,614, compared with $1,529,842 for the similar period in 1975, which included a larger than normal gain on the sale of securities. The income per share for the 1976 period is $3.49 for each Class "A" and $3.44 for each Class "B" share, as compared with $2.06 and $2.01 respectively in 1975.

The increase in net income primarily resulted from the earnings of Pacific Press Limited, in which Sun Publishing has a 50% equity.

Commencing the last week of July, Pacific Press was subjected to a series of slowdowns by employees resulting in delayed and lost editions of the newspapers, finally culminating in a complete shutdown of operations on Saturday, August 7. On August 20 Pacific Press resumed operations after a most difficult period of negotiations. The inability to produce newspapers during part of the last few weeks will undoubtedly have a significant impact on our share of the earnings of Pacific Press for the last half of the year.

On behalf of the Board

R. L. Cliff, Chairman

Vancouver, Canada, August 23, 1976

SUN PUBLISHING COMPANY LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE SIX MONTHS ENDED JUNE 30 — UNAUDITED

	1976	1975
Income from Pacific Press Limited:		
Equity in net earnings for period ended June 30	$ 1,873,300	$ 1,163,700
Dividend and Interest Income	680,370	624,542
Gain on sale of securities	392,642	16,659
	$ 2,946,312	$ 1,804,901
Deduct:		
Administrative Expenses, including directors' fees of $12,000, (1975 — $12,000)	59,000	48,206
California Properties:		
Loss on operations	1,500	3,000
Loss on disposal of property	23,943	81,853
Income before deducting Income Taxes	$ 2,861,869	$ 1,671,842
Deduct:		
Income Taxes — (Including tax on gain on sale of securities — $197,101), (1975 — $4,200)	263,255	142,000
Income for the period	$ 2,598,614	$ 1,529,842
Retained Earnings, beginning of year	30,545,229	28,493,065
	$33,143,843	$30,022,907
Deduct:		
Dividends:		
Class "A" Shares	$ 442,500	$ 442,500
Class "B" Shares	423,750	423,750
	$ 866,250	$ 866,250
Retained Earnings — June 30	$32,277,593	$29,156,657
Income per Share — Class "A" Shares	$ 3.49	$ 2.06
— Class "B" Shares	$ 3.44	$ 2.01

SUN PUBLISHING COMPANY LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE SIX MONTHS ENDED JUNE 30 — UNAUDITED

	1976	1975
Source of Funds:		
Operations—		
Net income for the period	$ 2,598,614	$ 1,529,842
Credits to income not resulting in a receipt of funds:		
Portion of net earnings of Pacific Press Limited which was not distributed by way of dividends	1,345,300	635,700
	$ 1,253,314	$ 894,142
Decrease in investment in California properties (net)	51,943	105,353
	$1,305,257	$ 999,495
Application of Funds:		
Dividends	866,250	866,250
Increase in working capital	$ 439,007	$ 133,245
Working capital, beginning of year	$19,848,014	$18,440,815
Working capital, June 30	$20,287,021	$18,574,060

On behalf of the Board:
R. L. Cliff, Director
Stuart Keate, Director

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OFFICERS AND DIRECTORS OF THE COMPANY

OFFICERS

Ronald L. Cliff ..... Chairman of the Board
Richard S. Malone ..... President
J. Stuart Keate ..... Vice-President
William W. Winnett ..... Secretary-Treasurer
Harry J. Astley ..... Assistant Secretary

DIRECTORS

Ronald L. Cliff
Lawrence Dampier
Clayton B. Delbridge
Bruce Hutchison
Stuart Keate
John MacD. Lecky
Richard S. Malone
Derek A. Price
Bruce L. Rudd
John W. Toogood
F. Cameron Wilkinson

EXECUTIVES OF THE VANCOUVER SUN

Stuart Keate ..... Publisher
Bruce Hutchison ..... Editorial Director
Bruce Larsen ..... Managing Editor
David Ablett ..... Editorial Page Editor
John W. Toogood ... Marketing and Advertising Director
William W. Winnett ..... Assistant to the Publisher
Donald M. Grieve ..... Circulation Manager
J.A. McLellan ..... Promotion Manager

BANKERS

The Bank of Nova Scotia

AUDITORS

Clarkson, Gordon & Co.

SOLICITORS

Farris, Vaughan, Wills & Murphy

TRANSFER AND EXECUTIVE OFFICES

2250 Granville Street
Vancouver, B.C. V6H 3G2

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

We are pleased to report that the Company has enjoyed another successful year. The net income of the Company for the year ended December 31, 1976 amounted to $4,172,000, representing an increase of $388,000, or 10.3% over the net income earned in 1975.

The income of the Company is derived from two sources, firstly, its 50% shareholding in Pacific Press Limited, which is the proprietor of The Vancouver Sun and The Province newspapers and, secondly, the Investment Portfolio of the Company.

Pacific Press Limited:

Earnings of Pacific Press were up slightly over the previous year and resulted largely from greater advertising revenues generated by the newspapers which were sufficient to more than offset increased operating costs, including the impact of the two week shutdown in August. The program of technological change referred to in our report last year, carried through 1976 with both newspapers being phased into the new electronic newsroom system, which has resulted in the typewriter being largely replaced by video display terminals, VDTs, as shown on the cover of this report. The total conversion to VDTs should be completed in 1977.

In an attempt to avoid future work stoppages and slowdowns, particularly during this period of technological change, both Pacific Press and the unions agreed to appoint Paul Weiler (Chairman of the B.C. Labour Relations Board), as a binding arbitrator in the event of any future jurisdiction disputes involving two or more of the unions. The present two year union contracts terminate on October 31, 1977.

As a designated Company under the Anti-Inflation Act and Regulations, Pacific Press has been subject to controls on profits, prices, dividends to shareholders and employee compensation.

Dividends declared by Pacific Press were identical for both 1976 and 1975. However, the final dividend declared for the year 1975 of $1,456,000 was not actually received by your Company until January 2, 1976, hence the item "Dividend Receivable" on the December 31, 1975 Balance Sheet. All dividends from Pacific Press for 1976 were received by December 31.

The Vancouver Sun:

The Company publishes The Vancouver Sun for Pacific Press Limited, which Company employs substantially all the personnel involved in the publication, pays all expenses and receives all revenues in respect to The Vancouver Sun.

Advertising lineage totalled 50,254,657 lines, representing a fractional increase over 1975 in spite of the 2 week shutdown.

The Vancouver Sun maintained its position of carrying the largest amount of classified advertising of any daily newspaper in Canada. Nevertheless, advertising volumes during the latter part of the year showed some signs of weakening and this has carried through into the early part of 1977.

Investment Portfolio:

Earnings from interest and dividend income on the investment portfolio were up about 6.9% over 1975, due largely to slightly higher interest rates and dividend yields.

The book value of the portfolio at December 31, 1976 was $24,159,116, of which $2,608,964 is designated as long-term, representing an increase of $2,755,731 over the book value at December 31, 1975.

The market value of the portfolio at December 31, 1976 was $24,130,000, of which $2,090,000 is designated as long-term.

Dividends:

Dividends of $2.45 on the "A" shares and $2.35 on the "B" shares were declared by the directors in 1976.

Commencing with the quarterly dividend payable December 31, 1976, dividends were increased by 4 1/2¢ per share to 63 1/2¢ per share for the "A" shares and 61¢ per share for the "B" shares, the maximum amount permitted under the Anti-Inflation Board regulations.

Personnel:

The Directors take this opportunity of expressing their sincere appreciation to the members of the staff of The Vancouver Sun for their efforts in maintaining the growth of the newspaper and thereby contributing substantially to the success of the Company during the past year.

On behalf of the Board,
R.L. Cliff,
Chairman.

RESULTS AT A GLANCE

	1976	1975
Income before Gain on sale of securities	**$ 4,471,800**	$ 4,092,705
Provision for Income Taxes	**339,300**	329,200
Net Operating Income	**$ 4,132,500**	$ 3,763,505
Gain on sale of Securities (Before income taxes on capital gains)	**40,102**	21,159
Net Income for Year	**$ 4,172,602**	$ 3,784,664
Income per share:		
"A" shares - on net operating income	**$ 5.56**	$ 5.07
- on gain on sale of securities (before income taxes on capital gains)	**.05**	.03
	$ 5.61	$ 5.10
"B" shares - on net operating income	**$ 5.46**	$ 4.97
- on gain on sale of securities (before income taxes on capital gains)	**.05**	.03
	$ 5.51	$ 5.00
Number of shareholders at year-end	**644**	671
Shareholders total investment (book value)	**$ 33,667,831**	$ 31,295,229
Shares of common stock outstanding	**750,000**	750,000
Book value per share of common stock	**$ 44.89**	$ 41.73
The Vancouver Sun:		
Advertising lineage	**50,254,657**	50,146,824
Circulation for period - October - December	**236,623**	237,087
Newsprint consumed - tons	**41,181**	41,506
- value	**$ 11,415,434**	$ 11,208,403

Valuation Day Value:

December 22, 1971

"A" Shares	$34.75
"B" Shares	$33.00

CONSOLIDATED BALANCE SHEET

ASSETS

December 31, 1976
(with comparative figures at December 31, 1975)

	1976	1975
Current Assets:		
Cash	**$ 20,794**	$ 14,092
Marketable securities, at cost (market - 1976 - $22,040,000; 1975 - $18,180,000)	**21,550,152**	18,794,421
Accrued investment income receivable	**269,893**	253,106
Dividend receivable - Pacific Press Limited		1,456,000
Total current assets	**21,840,839**	20,517,619
Long-term investments and other assets:		
Pacific Press Limited -		
Demand debenture	**2,250,000**	2,250,000
800,000 common shares	**6,766,599**	5,791,395
Marketable securities, at cost (market value 1976 - $2,090,000; 1975 - $2,010,000)	**2,608,964**	2,608,964
California properties, at cost	**602,356**	602,356
Notes receivable	**194,500**	194,500
	12,422,419	11,447,215
	$ 34,263,258	$ 31,964,834

(See accompanying notes)

On behalf of the Board:
R.S. MALONE — Director
R.L. CLIFF — Director

LIABILITIES AND SHAREHOLDERS' EQUITY

December 31, 1976
(with comparative figures at December 31, 1975)

	1976	1975
Current Liabilities:		
Accounts payable and accrued liabilities	**$ 26,189**	$ 39,199
Dividends payable	**466,875**	433,125
Income taxes payable	**102,363**	197,281
Total current liabilities	**595,427**	669,605
Shareholders' equity:		
Share capital -		
Authorized:		
2,500,000 redeemable preference shares of $1 each		
500,000 cumulative participating Class "A" common shares without nominal or par value, entitled to minimum preferential cash dividends of 50 cents per annum		
500,000 Class "B" common shares without nominal or par value		
Issued and outstanding:		
375,000 Class "A" shares	**375,000**	375,000
375,000 Class "B" shares	**375,000**	375,000
	750,000	750,000
Retained earnings (statement 2)	**32,917,831**	30,545,229
	33,667,831	31,295,229
	$ 34,263,258	$ 31,964,834

(See accompanying notes)

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

Year ended December 31, 1976
(with comparative figures for the year 1975)

	1976	1975
Revenue:		
Equity in net income of Pacific Press Limited of which $2,248,000 was received by way of dividends for 1976 and 1975	**$ 3,223,204**	$ 2,992,490
Dividend and interest income	**1,370,779**	1,297,170
Gain on sale of securities	**40,102**	21,159
Gain (loss) on California properties	**4,000**	(89,960)
	4,638,085	4,220,859
Administrative expenses	**126,183**	106,995
Income before income taxes	**4,511,902**	4,113,864
Income taxes	**339,300**	329,200
Net income for year (note 2)	**4,172,602**	3,784,664
Retained earnings, beginning of year	**30,545,229**	28,493,065
	34,717,831	32,277,729
Dividends:		
Class "A" shares - $2.45 per share (1975 - $2.36)	**918,750**	885,000
Class "B" shares - $2.35 per share (1975 - $2.26)	**881,250**	847,500
	1,800,000	1,732,500
Retained earnings, end of year	**$ 32,917,831**	$ 30,545,229

(See accompanying notes)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31, 1976
(with comparative figures for the year 1975)

	1976	1975
Source of funds:		
Operations -		
Net income for year	**$ 4,172,602**	$ 3,784,664
Portion of net income in Pacific Press Limited which was not distributed by way of dividends	**975,204**	744,490
	3,197,398	3,040,174
Decrease in investment in California properties		99,525
	3,197,398	3,139,699
Application of funds:		
Dividends	**1,800,000**	1,732,500
Increase in working capital	**1,397,398**	1,407,199
Working capital, beginning of year	**19,848,014**	18,440,815
Working capital, end of year	**$ 21,245,412**	$ 19,848,014
Represented by:		
Current assets	**$ 21,840,839**	$ 20,517,619
Less current liabilities	**595,427**	669,605
Working capital, end of year	**$ 21,245,412**	$ 19,848,014

(See accompanying notes)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1976

1. Accounting policies:
   The following is a summary of significant accounting policies used in the preparation of these financial statements.

   (a) Principles of consolidation:
   The accompanying financial statements consolidate the accounts of Sun Publishing Company Limited and its wholly-owned subsidiary, Hornby Corporation, owner of the California properties.

   (b) Marketable securities:
   Marketable securities are valued at moving average cost. Securities purchased in foreign currencies are translated into Canadian dollars at rates of exchange in effect at balance sheet dates.

   (c) Investment in Pacific Press Limited:
   Sun Publishing Company Limited owns 50% of the issued shares of Pacific Press Limited, a company which acquired the newspapers "The Vancouver Sun" and "The Province". The company publishes "The Vancouver Sun" for Pacific Press Limited.

   The demand debenture of $2,250,000 does not bear interest except on demand. On December 31, 1975 Sun Publishing Company Limited demanded interest on the outstanding balance beginning January 1, 1976, however, this demand was subsequently rescinded.

   The company's investment in Pacific Press Limited is recorded by the equity method, whereby the carrying value reflects the original cost of $800,000 for its holding of common shares and its share in the undistributed earnings of Pacific Press Limited since acquisition. At December 31, 1976 the company's share in the undistributed earnings of Pacific Press Limited amounted to $5,966,599.

2. Earnings per share:
   Earnings per Class "A" share were $5.61 in 1976 ($5.10 in 1975) and earnings per Class "B" share were $5.51 in 1976 ($5.00 in 1975). Earnings per share for both classes of common shares are calculated in a manner which recognizes the differential in their rights to dividends.

3. Remuneration of directors and senior officers:
   Remuneration of directors and senior officers amounted to $70,086 for the year ended December 31, 1976.

4. Anti-Inflation Guidelines:
   Under federal government anti-inflation legislation the company is subject to compliance with controls on dividends.

   The company is restricted on the payment of dividends to an amount which may not exceed the current rate.

AUDITORS' REPORT

To the Shareholders of
Sun Publishing Company
Limited:

We have examined the consolidated balance sheet of Sun Publishing Company Limited as at December 31, 1976 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. For Sun Publishing Company Limited, our examination of the financial statements of the company was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. For other companies consolidated or accounted for by the equity method we have relied on the reports of the auditors who have examined their financial statements.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.
Chartered Accountants

Vancouver, Canada,
February 22, 1977.

1976 — THE NEWS IN REVIEW:

Rene Levesque's stunning upset victory for his separatist **Parti Quebecois** on November 15 provided the most significant news story for Canadian dailies in the year just past.

In addition to special, in-depth reports from our Quebec bureau, The Sun dispatched columnists Allan Fotheringham and Marjorie Nichols to the scene for analytical studies on what, inevitably, will be the most important ongoing story in recent Canadian history. In a subsequent survey of Canadian coverage, the trade magazine **Content** wrote: "The Vancouver Sun gave the Quebec election the extensive coverage this historic event deserves. It included a variety of unusual features: a front-page opinion piece by Allan Fotheringham dealing with Levesque's socialist leanings, past and future; an opinion poll among downtown Vancouverites; a special feature in the business section citing reaction from businessmen across the country. Also unusual — nearly the entire editorial page was devoted to comment on the election."

In order to keep British Columbia members of Parliament and key cabinet ministers abreast of Sun comment, arrangements were made at year's end to air-mail special sections to Ottawa.

Also in 1976, the United States elected a new President, promising a new era of relationships with Canada. Washington bureau chief Frank Rutter and columnist Fotheringham visited many areas of the country during the campaign to provide special background material, augmenting the fine coverage of our wire services.

In mid-summer, a Sun team of six writers, photographers and columnists provided on-the-spot coverage of the Montreal Olympics. In Vancouver more than a dozen staffers were involved on the United Nations conference at Jericho known as **Habitat**. Senior reporter Moira Farrow accompanied cabinet minister Barney Danson on an extensive tour of African and Middle East countries planning participation in the Vancouver conference.

Reporter Ron Rose and columnist Fotheringham attended numerous hearings of the Berger Commission on pipelines in the north. The Sun was also at the scene when the Tories selected Joe Clark as leader at an Ottawa convention.

In British Columbia, reporter Paul Musgrove produced two notable "scoops" — the discovery of a 13 year-old Port Moody girl after 181 days as captive in an underground cell; and the "secret past" of mayoralty candidate Alex Di Cimbriani.

In the area of public service, The Sun provided many extras for readers — the only independent national study of new auto insurance rates (Jes Odam); teen-aged drinking problems in Vancouver (Alan Daniels); explanation of the new Borrowers and Depositors' Protection Bill (Mike Grenby): a study of the treatment of retarded children in B.C., followed by a Government decision to pump funds into the area (Tim Padmore); and a study of earthquakes on The Sun's new Perspectives page (Padmore).

Finally, and ironically, the topsy-turvey weather patterns of North America become front-page news and continued on into the new year.

HONORS AND AWARDS

Sun cartoonist Roy Peterson, repeating his victory of 1968, won the National Newspaper Award in Toronto for the best editorial cartoon of 1976.

Sun business writer Mike Grenby won a National Business Writing award from the Toronto Press Club and the Royal Bank. His weekly column, "Your Money", was adjudged the best business column in Canada.

An unprecedented "clean sweep" of the MacMillan and Bloedel awards was achieved in 1976 by Sun writers. Alan Daniels took the top prize of $500 for a series on the problems of retirement; Moira Farrow placed second for a story on estuaries and their importance in the food chain; George Dobie won an honorable mention for a series on labor strife in B.C.; and business writers Roger Leslie and Allan Wilson won similar awards for a series on small businesses.

In an Ottawa ceremony in October, Sun publisher Stuart Keate was invested as an Officer of the Order of Canada by Governor-General Jules Leger for "services to his community and his country".

THE SUN IN THE COMMUNITY

Meanwhile, The Sun continued to take an active role in affairs of the community. Among the highlights:

The Sun made corporate donations of $50,000 to a variety of civic charities and cultural activities, the largest ($27,500) to the United Way, whose annual campaign was given strong editorial support.

For a second successive year, The Sun joined with the Salvation Army in its annual Christmas Cheer Fund. Readers contributed a total of $80,000 after a five-week campaign.

Some 30,000 copies were printed — and sold — of Len Morris' silver anniversary cartoon book, and 8,000 sets of "Front-Page Headline glasses, in a novel promotion, were sold to readers.

More than 5,000 students were conducted on guided tours of Sun premises.

Sun promotion department worked with 150 British Columbia teachers on the "Newspaper in Education" program. In addition, 150 teachers attended four mini-seminars to study use of the daily newspaper as a classroom teaching tool. In this, The Sun was afforded excellent co-operation by The Canadian Daily Newspaper Publishers' Association.

More than 12,000 anglers participated in The Sun's annual Free Salmon Derby at Horseshoe Bay. Record catches were returned.

Capacity audiences totalling 28,000 attended The Sun's nine "Family Pops" concerts, in co-operation with the Vancouver Symphony Orchestra. These events have become a highlight of the Christmas season on the lower mainland.

In co-operation with the Vancouver City Police Department, 35,000 bicycle safety tip brochures were distributed to students in the Greater Vancouver area. The Sun also supported the Department's campaign against drinking and driving over the holiday season. A series of public service advertisements on road-blocks, in the words of Inspector J.S. Robertson, provided "excellent coverage — they got the message across"

The use of the daily newspaper as an excellent teaching tool in education which The Sun and C.D.N.P.A. promoted in 1976.

Top winners at the 37th Annual world famous Sun Free Salmon Derby.

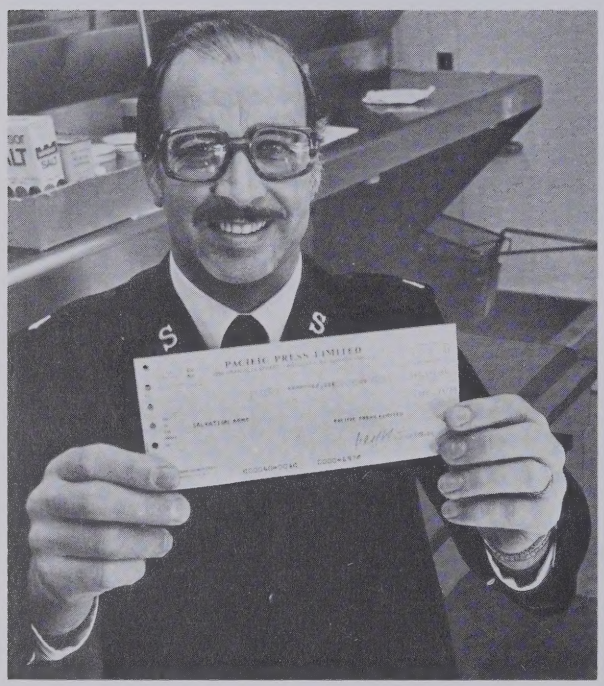
From left to right: Ken Rainford, Chris Dowler and Jim MacDonald display three of the awards our Sun Promotion Department won during 1976.

Sun Publisher Stuart Keate congratulates Bruce Hutchison on the publication of his new book entitled "The Far Side of the Street" at the Sun's Twenty-fifth Estate Dinner.

Sun cartoonist Roy Peterson accepts the National Newspaper Award in Toronto for the best editorial cartoon of 1976.

Sun reporters Allan Wilson, Roger Leslie, Moira Farrow and George Dobie (far right) receive MacMillan Bloedel awards from company president Calvert Knudson.

A 6 man team from The Sun provided extensive coverage of the games of the XXI Olympiad held July 1976 in Montreal, as shown above in both the opening and closing ceremonies.



Sun reader's gift to Salvation Army, a cheque for $60,000 delights Major Howard Moore. Total contributions to the Sun's Christmas Cheer Fund eventually totalled $80,000 after a five week campaign.

Some major Sun headlines of the past are depicted on our front page glasses. A highly successful promotion in 1976.

U.N. Conference "Habitat" held at Jericho in June, 1976 brought thousands to Vancouver.

Bob McGrath of Sesame Street, asks for "a few" volunteers to turn on the thirty foot christmas tree at one of The Sun's Family "Pop" Christmas Concerts.

Police Constable Barry Putnam instructs youngsters as part of the Sun's bicycle safety programme.

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